

COUNTY OF KNOX JAIL

*FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES*

*FOR THE YEAR
ENDED JUNE 30, 2011*

COUNTY OF KNOX JAIL
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
JUNE 30, 2011

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INDEPENDENT AUDITOR'S REPORT

January 6, 2012

County Commissioners
County of Knox
Rockland, ME 04841

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the County of Knox Jail Department as of and for the year ended June 30, 2011, which collectively comprise the Jail Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Knox Jail Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the County of Knox Jail Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the County that is attributable to the transactions of the Jail Department. They do not purport to, and do not, present fairly the financial position of the County of Knox, Maine as of June 30, 2011, the changes in its financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2-5 and 22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Knox Jail Department as of June 30, 2011, and the respective changes in financial position for the year ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully Submitted,

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.

County of Knox Jail
Management's Discussion and Analysis
For the Year ended June 30, 2011

Management of County of Knox Jail provides this *Management's Discussion and Analysis* of the County's financial performance for readers of the County's financial statements. This narrative overview and analysis of the financial activities of the County is for the Year ended June 30, 2011. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of County of Knox Jail (the County) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net Assets – The assets of the County exceeded its liabilities at Year ending June 30, 2011 by \$3,645,310 (presented as "net assets"). Of this amount, \$226,975 was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the County's ongoing obligations to citizens and creditors.

Changes in Net Assets – The County's total net assets increased by \$11,131 (a .3% increase) for the year ended June 30, 2011.

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the Year ended June 30, 2011, the County's governmental funds reported a combined ending fund balance of \$328,341 with 164,124 being general unassigned fund balance. This unassigned fund balance represents 4.6% of the total general fund expenditures for the year.

Long-term Debt:

The County has no outstanding debt as of June 30, 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

Government-wide Financial Statements

The Government-wide financial statements present the financial picture of the County from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The government-wide financial statements can be found on pages 6-7 of this report.

Fund Financial Statements

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the County's government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

The basic governmental fund financial statements can be found on pages 8-11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

The notes to the financial statements can be found on pages 12-21 of this report.

Required Supplementary Information

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary).

Required supplementary information can be found on page 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

94% of the County's net assets reflect its investment in capital assets such as land, buildings, and equipment less any related debt used to acquire those assets that are still outstanding. The County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

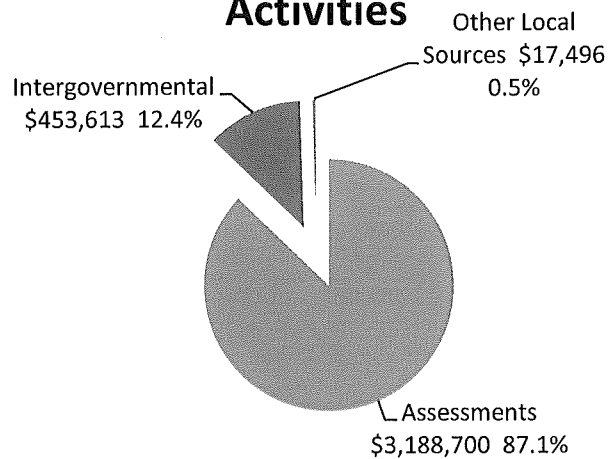
	Total 2011	Total 2010
Current Assets	452,004	406,581
Capital Assets	3,418,335	3,536,900
Total Assets	3,870,339	3,943,481
Current Liabilities	225,029	309,302
Other Liabilities	-	-
Total Liabilities	225,029	309,302
Net Assets:		
Invested in Capital Assets	3,418,335	3,536,900
Restricted	-	-
Unrestricted	226,975	97,279
Total Net Assets	3,645,310	3,634,179
Total Liabilities and Net Assets	3,870,339	3,943,481

Changes in Net Assets

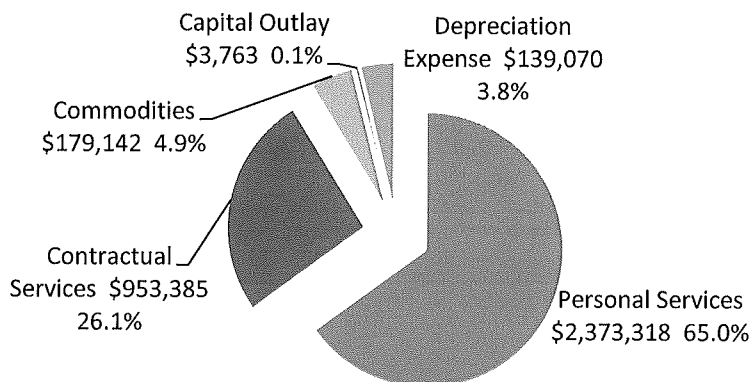
Approximately 87 percent of the County's total revenue came from assessments, approximately 12 percent came from State subsidies and grants, and approximately 1 percent came from services, investment earnings and other sources. Depreciation expense on the County's governmental assets represents \$139,070 of the total expenditures for the fiscal year.

	<u>Total 2011</u>	<u>Total 2010</u>
Revenues:		
County Assessments	3,188,700	3,188,700
Intergovernmental Revenues	453,613	400,661
Local Sources	17,496	15,104
Total	<u>3,659,809</u>	<u>3,604,465</u>
Expenses:		
Personal Services	2,373,318	2,410,584
Contractual Services	953,385	835,235
Commodities	179,142	202,254
Capital Outlay	3,763	38,861
Depreciation	139,070	136,774
	<u>3,648,678</u>	<u>3,623,708</u>
Changes in Net Assets	<u>11,131</u>	<u>(19,243)</u>

Revenues By Source - Governmental Activities



Expenditures By Source - Governmental Activities



FINANCIAL ANALYSIS OF THE COUNTY'S INDIVIDUAL FUNDS

Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's governmental funds reported ending fund balances of \$328,341 an increase of \$99,976 in comparison with the prior year. 50 percent of this total amount constitutes unassigned fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$45,620 negative variance in BOC investment fund. A payment from board of corrections was not received due to under budget.
- \$81,140 positive variance in correction officers. There were open positions.
- \$74,258 negative variance in overtime. Existing correction officers filled in for the open positions.
- \$15,241 negative variance in sewage. There was an increase in cost from the vendor.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental activities amounts to \$5,808,396 net of accumulated depreciation of \$2,390,061 leaving a net book value of \$3,418,335.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: County of Knox Jail, 62 Union St., Rockland, ME 04841.

COUNTY OF KNOX JAIL
STATEMENT OF NET ASSETS
JUNE 30, 2011

Exhibit A

Assets	Governmental Activities
Investments	150,039
Accounts Receivable	354
Due from Other Governments	301,611
Capital Assets:	
Land	86,200
Other Capital Assets, Net of Depreciation	3,332,135
Total Assets	3,870,339
Liabilities and Net Assets	
Liabilities	
Accounts Payable	29,095
Accrued Salaries	94,568
Compensated Absences Payable	101,366
Total Liabilities	225,029
Net Assets	
Investment in Capital Assets, net of Related Debt	3,418,335
Restricted Net Assets	-
Unrestricted	226,975
Total Net Assets	3,645,310
Total Liabilities and Net Assets	3,870,339

The accompanying notes to the financial statements are an integral part of these statements.

COUNTY OF KNOX JAIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit B

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fees, Fines, and Charges for Services	Operating Grants	
Governmental Activities				Total
Personal Services	2,373,318			(2,373,318)
Contractual Services	953,385			(953,385)
Commodities	179,142			(179,142)
Capital Outlay	3,763			(3,763)
Depreciation Expense	139,070			(139,070)
Total Governmental Activities	3,648,678	-	-	(3,648,678)
Total Primary Government	3,648,678	-	-	(3,648,678)
General Revenues:				
Assessments				3,188,700
Intergovernmental Revenues				453,613
Other Local Sources				17,496
Total Revenues, Special Items and Transfers				3,659,809
Changes in Net Assets				11,131
Net Assets - Beginning				3,634,179
Net Assets - Ending				3,645,310

The accompanying notes to the financial statements are an integral part of this statement.

COUNTY OF KNOX JAIL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

Exhibit C
Page 1 of 2

<i>Assets</i>	<i>General Fund</i>	<i>Capital Project</i>	<i>Total</i>
Investments	58,287	91,752	150,039
Accounts Receivable	354		354
Due from Other Governments	287,433	14,178	301,611
Total Assets	346,074	105,930	452,004
<i>Liabilities and Fund Balance</i>			
Liabilities			
Accounts Payable	29,095		29,095
Accrued Salaries	94,568		94,568
Total Liabilities	123,663	-	123,663
<i>Fund Balances</i>			
Committed	58,287	105,930	164,217
Unassigned	164,124		164,124
Total Fund Balances	222,411	105,930	328,341
Total Liabilities and Fund Balances	346,074	105,930	452,004

The accompanying notes to the financial statements are and integral part of these statements.

COUNTY OF KNOX JAIL
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

Exhibit C
Page 2 of 2

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance	328,341
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,390,062	<u>3,418,335</u>
	<u>3,418,335</u>
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued Compensated Absences	<u>(101,366)</u>
	<u>(101,366)</u>
Net Assets of Governmental Activities	<u><u>3,645,310</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

COUNTY OF KNOX JAIL
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit D
Page 1 of 2

	<i>General Fund</i>	<i>Capital Projects</i>	<i>Total Governmental Funds</i>
Revenues			
Assessments	3,188,700		3,188,700
Intergovernmental Revenues	453,613		453,613
Local Sources	16,845	651	17,496
Total Revenues	3,659,158	651	3,659,809
Expenditures			
Personal Services	2,403,038		2,403,038
Contractual Services	953,385		953,385
Commodities	188,642		188,642
Capital Outlay	14,768		14,768
Total Expenditures	3,559,833	-	3,559,833
Excess of Revenues Over (Under) Expenditures	99,325	651	99,976
Fund Balance - July 1	123,086	105,279	228,365
Fund Balance - June 30	222,411	105,930	328,341

(Continued)

The notes to financial statements are an integral part of this statement.

**COUNTY OF KNOX JAIL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit D
Page 2 of 2**

Net change in fund balances - total governmental funds	99,976
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	20,505
Depreciation expense	(139,070)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued compensated absences	<u>29,720</u>
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Change in net assets of governmental activities	<u><u>11,131</u></u>
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The notes to financial statements are an integral part of this statement.

COUNTY OF KOX JAIL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Knox Jail have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The financial statements represent information of the County attributable to the transactions of the jail department. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The County of Knox Jail operates under an elected Board of Commissioners form of government.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the County. Fiduciary activities, whose resources are not available to finance the County's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and various intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds, reporting only assets and liabilities, have no measurement focus but use the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

COUNTY OF KOX JAIL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest on long-term debt, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, sales taxes, interdepartmental charges and intergovernmental revenues are considered susceptible to accrual. Special assessments are recorded as revenues in the year the assessment become current. Annual installments not yet due are reflected as special assessment receivables and deferred revenues. Other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The General Fund is used to account for all or most of the County's general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The General Fund is used to account for all activities of the general government not accounted in some other fund.

The capital projects fund accounts for all the County funds designated for capital purposes.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and charges between the business-type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, fines and forfeitures, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for goods and services. Operating expenses include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

COUNTY OF KOX JAIL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Fund Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

The County may invest in certificates of deposit, in time deposits, and in any securities in which the state investment officer is authorized to invest pursuant to the Maine Statute 5705 Title 30-A and as provided in the authorized investment guidelines of the Maine Statutes 5711 through 5719 in effect on the date the investment is made.

Investments in the Pension Trust Fund are carried at fair value. Investments in other funds are carried at fair value, except for short-term investments, which are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value, based on relevant market information of similar financial instruments. Income from investments held by the individual funds is recorded in the respective funds

2. Receivables and Payables

Transactions between funds that result in outstanding balances are reported as due to/from other funds.

Revenues for the most part are recorded when received, except for the following items for which receivables have been recorded:

- a. Certain grants received from other governments require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded for the period in which eligible expenditures are made.
- b. Various service charges are recorded as revenue for the period when service was provided. The receivables for such services are shown on the balance sheet.

3. Inventories

Inventories are valued at cost, using the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased, however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in the government funds are equally offset by a fund balance reserve which indicates that the assets are not available for appropriation even though they are a component of reported assets.

4. Capital Assets

Capital assets, which property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

COUNTY OF KOX JAIL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

4. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50-100
Infrastructure	30-50
Equipment	5-30

5. Compensated Absences

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrue to employees. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the bonds-outstanding method. For current and advance refunding of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

COUNTY OF KOX JAIL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

7. Fund Balances/Net Assets

Fund Balances

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the County classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through County commissioners voting and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the County Treasurer.

Unassigned – includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The County considers restricted, committed, assigned, and unassigned amounts to be spent in that order when expenditures for which any of those amounts are available.

The County does not have a formal minimum fund balance policy.

Fund Balances

The County has identified June 30, 2011 fund balances on the balance sheet as follows:

	<i>General Fund</i>	<i>Capital Projects</i>	<i>Totals</i>
<u>Committed</u>			
Computer Reserve	14,590		14,590
Consultant Reserve	35,931		35,931
Training Reserve	7,766		7,766
Capital Reserve		96,870	96,870
Vehicle Reserve		9,060	9,060
<u>Unassigned</u>			
General Fund	164,124		164,124
<u>Total Fund Balance</u>	<u>222,411</u>	<u>105,930</u>	<u>328,341</u>

COUNTY OF KOX JAIL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

7. Fund Balances/Net Assets

Net Assets

Net assets are required to be classified into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portions of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.

Restricted – This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The County utilizes a formal budgetary accounting system to control revenues accounted for in the general fund. These budgets are established in accordance with the various laws which govern the County’s operations. The County Commissioners submit an itemized budget estimate to the budget committee no later than 60 days before the end of the County’s fiscal year. The budget committee (made up of elected officials from various Counties) reviews the proposed itemized budget prepared by the County Commissioners, together with any supplementary material prepared by the head of each County department or provided by any independent board or institution or another governmental agency. The budget committee may increase, decrease, or alter the proposed budget. The budget committee then holds a public hearing in the County on the proposed budget before the end of the County’s fiscal year and before the final adoption of the budget.

After the public hearing is completed, the budget committee adopts a final budget and transmits that budget to the county commissioners. The county commissioners may not further increase, decrease, alter, and revise the budget as adopted by the budget committee, except by unanimous vote of the county commissioners. If the adopted budget is changed by the county commissioners, the budget committee may reject that change by a 2/3 vote of its membership. Those actions are final and are not subject to further action by either the county commissioners or the budget committee.

The budget as adopted and changed is the final authorization for the assessment of county taxes. The approved final budget is sent to the county commissioners and the county tax authorized is apportioned and collected.

All annual appropriations lapse at the year-end except for capital appropriations, which are encumbered if approved by the County Commissioners.

COUNTY OF KOX JAIL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Budget/GAAP Reconciliation

The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Exhibit F) reconciles financial data on a budgetary basis for the government's general fund to the data shown on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit D). The major difference is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP).

C. Reserved For Contingency - General Fund

Title 30-A, Section 922, Maine Revised Statutes Annotated of 1964 states that at the end of each fiscal year, there must be transferred from unencumbered county funds an amount sufficient to restore the established county contingent account.

At June 30, the County's contingency account remained at its established balance.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Investments

At June 30, 2011, the County had the following investments, maturities, and credit ratings:

Type	Fair Value	Maturities in Years				Credit Rating	
		< 1	1-5	6-10	> 10	S&P	Moody's
General Town							
U.S. Gov't Obligations	150,039	11,308	112,718	26,013		N/A	N/A
	150,039	11,308	112,718	26,013	-		

Investment Policies

Generally, the County's investing activities are managed under the custody of the County Treasurer. Investing is performed in accordance with the investment policy adopted by the County Overseers complying with state statutes. The County may invest in securities permitted under 30-A MRSA 5712, 5713, 5714, 5715, and 5716. Upon approval of the County Overseers, the treasurer of the trustee(s) of a trust fund of the County, may enter into safekeeping and investment management agreements and/or investment advisory agreements in accordance with 30-A MRSA 5706(4) and the investment funds pursuant to any such agreements shall be governed by the rule prudence as set forth in 18-A MRSA 7-302.

COUNTY OF KOX JAIL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

B. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	86,200			86,200
<i>Capital assets being depreciated</i>				
Buildings	5,363,128			5,363,128
Equipment	338,563	20,505		359,068
<i>Total capital assets being depreciated</i>	5,701,691	20,505	-	5,722,196
<i>Less accumulated depreciation for</i>				
Buildings	2,078,898	109,090		2,187,988
Equipment	172,093	29,980		202,073
<i>Total accumulated depreciation</i>	2,250,991	139,070	-	2,390,061
<i>Net capital assets being depreciated</i>	3,450,700	(118,565)	-	3,332,135
<i>Governmental Activities Capital Assets, net</i>	<u>3,536,900</u>	<u>(118,565)</u>	<u>-</u>	<u>3,418,335</u>

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amount, if any to be immaterial.

There are various claims and suits pending against the County which arise in the normal course of the County's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect in the financial position of the County.

COUNTY OF KOX JAIL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - OTHER INFORMATION

B. Pension Plans

The County has contributed for certain employees, to the Maine State Retirement System (MSRS), a cost-sharing multiple-employer defined benefits pension plan. The County has withdrawn from participation for new employees, but must continue to fund the benefits of current retirees and vested inactive members. The County is required to contribute an annual fee based on an actuarial valuation of the entire State plan. Contribution requirements for the County included an unfunded liability of \$15,000 for 2009, and an unfunded liability of \$69,982 for 2010.

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all county employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan is administered by an independent company, and the County remits all compensation deferred to this administrator for investment as requested by the participant employees. All assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

The County has adopted a 401 Qualified Plan for which an independent company is the plan administrator.

The County contributes 7% of earnings on behalf of each participant for the plan year. Each participant is required to contribute 3% of earnings for the plan year as a condition of participation.

All full-time, salaried management, public safety, and elected officials are eligible to participate. Normal retirement age shall be 55 (not to exceed age 65). Participants vesting requirements are fulfilled at 5 years of service.

A participant may direct the investment without restriction among various options available under the trust. Loans are not permitted under the plan.

Effective January 1, 2002, the County implemented a cafeteria benefit plan pursuant to section 125 of the IRS code. Under this plan, eligible employees may direct a contribution, made by the employees, into any combination of the following benefit categories:

1. Health Care Reimbursement Plan;
2. Dependent Care Assistance Account;
3. Premium Expense Account;

Eligible employees may elect to contribute pre-tax dollars to these categories. Under no circumstances may an employee direct more than \$5,000 annually into the Dependent Care Assistance Account. Total contributions may not be more than \$10,000 each year.

All regular full-time and part-time employees who are eligible to join the County's major medical plan are eligible to participate in this plan. Seasonal employees are not eligible. The plan year adopted by the County begins on January 1 and ends on December 31.

COUNTY OF KOX JAIL
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 - OTHER INFORMATION (Continued)

B. Pension Plans (Continued)

To obtain reimbursement of expenses incurred within a plan year within the spending accounts, employees must submit claims within 30 days of the end of the plan year or separation from the County, whichever comes first. Funds unclaimed after 30 days of the close of the plan year are then remitted to the County.

C. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; and natural disasters for which the County participated in public entity risk pools.

The County is a member of the Maine Municipal Association - Worker Compensation Fund ("Fund"). The Fund was created to formulate, develop, and administer a program of modified self-funding for the Fund's membership, obtain lower costs for worker's compensation coverage, and develop a comprehensive loss control program. The County pays an annual premium to the Fund for its worker's compensation coverage. The County's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide through commercial companies reinsurance contracts, for members with claims in excess of \$400,000 with a limit of \$2,000,000.

The County is also a member of the County Commissioners Association Self-Funded Risk Management Pool ("Pool"). As with the Fund above, the Pool was created to obtain lower costs for its members. The County pays an annual premium for its property and liability coverage.

Under the property portion of the Pool, coverage is provided, after the deductible is met, to \$10,000,000. Under the liability portion of the Pool, coverage is provided after the deductible is met, to \$1,000,000.

COUNTY OF KNOX JAIL

Exhibit E

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Assessments	3,188,700	3,188,700	3,188,700	-
Intergovernmental Revenues	498,241	498,241	453,613	(44,628)
Local Sources	25,756	25,756	16,479	(9,277)
Total Revenues	3,712,697	3,712,697	3,658,792	(53,905)
Expenditures				
Personal Services	2,502,749	2,502,749	2,403,038	99,711
Contractual Services	971,561	971,561	953,385	18,176
Commodities	205,887	205,887	188,642	17,245
Capital Outlay	32,500	32,500	14,768	17,732
Total Expenditures	3,712,697	3,712,697	3,559,833	152,864
Excess Revenues Over Expenditures	-	-	98,959	98,959
Excess of Revenues and Other Sources Over (Under) Expenditures	-	-	98,959	98,959
Unreserved Fund Balance - July 1			65,165	
Unreserved Fund Balance - June 30			164,124	

COUNTY OF KNOX JAIL

Exhibit A-1

GENERAL FUND

STATEMENT OF BUDGETED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2011

	<i>Budget</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Assessments	3,188,700	3,188,700	-
Intergovernmental Revenues			
State			
BOC Investment Fund	136,861	91,241	(45,620)
Community Corrections	361,380	361,380	-
Fuel Reimbursement		992	992
	498,241	453,613	(44,628)
Other Local Sources			
Court Ordered Board	17,856	5,585	(12,271)
Transport Reimbursement		102	102
Employee Meals	5,100	1,420	(3,680)
SSI Incentive Payment	2,800	5,200	2,400
GED Adult Education		3,982	3,982
Restitution		190	190
	25,756	16,479	(9,277)
Operating Transfers In			
Transfers from Reserves	-	-	-
Total Revenues and Transfers	3,712,697	3,658,792	(53,905)
Fund Balance Used to Calculate Assessments			
Total	3,712,697		

COUNTY OF KNOX JAIL

GENERAL FUND

**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2011**

Exhibit A-2

Page 1 of 2

	<i>Budget</i>	<i>Actual</i>	<i>(Over) Under Budget</i>
Personal Services			
Jail Administrator	54,264	53,407	857
Assistant Jail Administrator	47,564	46,993	571
Programs Officer	78,017	77,231	786
Food Services	110,884	110,234	650
Administrative Assistant	27,865	29,396	(1,531)
Corrections Supervisors	172,050	145,067	26,983
Assistant Corrections Supervisors	172,050	129,856	42,194
Corrections Officers	810,223	729,083	81,140
Corrections Maintenance		2,378	(2,378)
Transport Supervisor	42,208	40,137	2,071
Transportation Officers	41,571	8,869	32,702
Records Officer	43,104	43,437	(333)
Overtime	210,000	249,254	(39,254)
Holiday Overtime	55,000	63,577	(8,577)
Part Time	30,000	104,258	(74,258)
Hourly Differential	10,380	9,630	750
Stipends	3,000	694	2,306
FICA/Medicare	145,976	141,756	4,220
Health Insurance	343,084	309,942	33,142
Workers Compensation	47,456	44,198	3,258
Unemployment Reimbursement	7,053	10,611	(3,558)
Resignation / Termination Benefits	5,329	16,301	(10,972)
Flexible Benefits	144	87	57
ICMA Qualified and Deferred Compensation	45,527	36,642	8,885
	<u>2,502,749</u>	<u>2,403,038</u>	<u>99,711</u>
Contractual Services			
Consulting / Accounting Services	3,130	4,175	(1,045)
Automobile Mileage	721	313	408
Meals	618	185	433
Lodging	927	215	712
Other, Tolls, Fees	155	40	115
Telephone	7,200	8,385	(1,185)
Insurance Deductibles	110,020	102,497	7,523
Dues and Registration	464		464
Postage and Shipping	150	76	74
Printing and Engraving	215		215
Training and Seminars	4,120	976	3,144
Electricity	90,000	81,559	8,441
Heating Fuel	65,721	49,704	16,017
Underground Tank Inspection		1,193	(1,193)
Sewage	17,000	32,241	(15,241)
Water	9,000	14,203	(5,203)
Copier Rental	3,896	3,696	200
Equipment Repairs and Maintenance	15,450	4,054	11,396
Radio Repairs and Maintenance	2,060	1,892	168
Computer Repairs and Maintenance	10,120	2,356	7,764

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2011

	Budget	Actual	(Over) Under Budget
Contractual Services (continued)			
Grounds Maintenance	8,240	8,071	169
Building Repairs and Maintenance	18,000	13,866	4,134
Electrical Repairs and Maintenance	8,500	8,646	(146)
Heating Repairs and Maintenance	28,000	50,287	(22,287)
Plumbing Repairs and Maintenance	8,755	2,169	6,586
Rubbish Removal	2,000	4,678	(2,678)
Control Panel		7,636	(7,636)
Pest Control	800	501	299
Consultant Fees	6,415	6,415	-
Inmate Medical and Dental	300,000	295,128	4,872
Inmate Medical Services Contract	50,000	61,490	(11,490)
Medical Exams	1,000	2,360	(1,360)
Inmate Programs and Services	88,632	80,829	7,803
Inmate Expense	10,000	5,478	4,522
Community Corrections	72,276	72,276	-
Tax Interest	12,500	14,229	(1,729)
Gas, Oil, Grease	9,476	6,383	3,093
Automobile Repairs and Maintenance	6,000	5,183	817
	971,561	953,385	18,176
Commodities			
Food	93,730	92,162	1,568
Auto Supplies	1,000	344	656
Cleaning Supplies	12,800	9,646	3,154
Paper Supplies	6,500	6,288	212
Institutional Supplies	41,000	37,098	3,902
Maintenance Supplies	12,000	9,588	2,412
Office Supplies	5,000	3,742	1,258
Photographic Supplies	500		500
Printing and Reproduction	2,000		2,000
Record Books	200		200
Training Supplies	1,700	1,333	367
Computer Supplies	3,090	3,307	(217)
Uniforms	15,862	13,553	2,309
Prisoner Clothing	4,635	6,576	(1,941)
Books and Subscriptions	1,000	435	565
Statues and Reference Books	2,060	2,841	(781)
Small Tools	2,060	1,316	744
Miscellaneous Minor Equipment	750	413	337
	205,887	188,642	17,245
Capital Outlay			
Furniture and Fixtures	16,000	19,846	(3,846)
Electrical Equipment		(5,834)	5,834
Computer Hardware	5,000		5,000
Motor Vehicles		756	(756)
Plumbing	11,500		11,500
	32,500	14,768	17,732
Total Appropriations	3,712,697	3,559,833	152,864

COUNTY OF KNOX JAIL**Exhibit A-3****GENERAL FUND****STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011**

Unassigned Fund Balance July 1, 2010	65,165	
Unassigned Fund Balance June 30, 2011	<u>164,124</u>	
Increase (Decrease)		<u><u>98,959</u></u>
Analysis of Change		
Additions		
Budget Summary		
Revenue Surplus (Exhibit A-1)	(53,905)	
Unexpended (Overdraft) Balance of Appropriations (Exhibit A-2)	<u>152,864</u>	
Budget Surplus (Deficit)		<u>98,959</u>
Deductions		
Fund Balance Used to Calculate Assessments		<u>-</u>
Increase (Decrease)		<u><u>98,959</u></u>

COUNTY OF KNOX JAIL
ALL GENERAL RESERVE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

Exhibit A-4

<i>Assets</i>	<i>Computer Reserve</i>	<i>Consultant Reserve</i>	<i>Training Reserve</i>	<i>Totals</i>
Investments	14,590	35,931	7,766	58,287
Due from Other Governments				-
Total Assets	14,590	35,931	7,766	58,287
 <i>Liabilities and Fund Balances</i>				
Liabilities				
Due to Other Funds				-
Total Liabilities	-	-	-	-
Fund Balances				
Committed	14,590	35,931	7,766	58,287
Total Fund Balances	14,590	35,931	7,766	58,287
Total Liabilities and Fund Balances	14,590	35,931	7,766	58,287

COUNTY OF KNOX JAIL
ALL GENERAL RESERVE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit A-5

	<i>Computer Reserve</i>	<i>Consultant Reserve</i>	<i>Training Reserve</i>	<i>Totals</i>
Revenues				
Interest	93	225	48	366
Other Local Sources				-
Total Revenues	93	225	48	366
Expenditures				
Personnel Services				-
Contract Services				-
Commodities				-
Capital Outlay				-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	93	225	48	366
Other Financing Sources (Uses)				
Transfers from Other Funds				-
Transfers to Other Funds				-
Total Other Financing Sources (Uses)	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	93	225	48	366
Fund Balance - July 1	14,497	35,706	7,718	57,921
Fund Balance - June 30	14,590	35,931	7,766	58,287

**COUNTY OF KNOX JAIL
ALL CAPITAL PROJECTS
COMBINING BALANCE SHEET
JUNE 30, 2011**

Exhibit C-1

<i>Assets</i>	<i>Capital Reserve</i>	<i>Vehicle Reserve</i>	<i>Totals</i>
Investments	82,692	9,060	91,752
Due from Other Governments	14,178		14,178
Total Assets	96,870	9,060	105,930
 <i>Liabilities and Fund Balances</i>			
Liabilities			
Due to Other Funds			-
Total Liabilities	-	-	-
Fund Balances			
Committed	96,870	9,060	105,930
Total Fund Balances	96,870	9,060	105,930
Total Liabilities and Fund Balances	96,870	9,060	105,930

COUNTY OF KNOX JAIL
ALL CAPITAL PROJECTS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

Exhibit C-2

	<i>Capital Reserve</i>	<i>Vehicle Reserve</i>	<i>Totals</i>
Revenues			
Interest	591	60	651
Other Local Sources			-
Total Revenues	591	60	651
Expenditures			
Personnel Services			-
Contract Services			-
Commodities			-
Capital Outlay			-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	591	60	651
Other Financing Sources (Uses)			
Transfers from Other Funds			-
Transfers to Other Funds			-
Total Other Financing Sources (Uses)	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	591	60	651
Fund Balance - July 1	96,279	9,000	105,279
Fund Balance - June 30	96,870	9,060	105,930